EKURHULENI DEVELOPMENT COMPANY (SOC) LTD

(REGISTRATION NUMBER 2000/007936/07)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

Version: 05.08.2015 V1

These annual financial statements were prepared by:
Dumisani Dlamini
Chief Finance Officer

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Published 30 November 2015

GENERAL INFORMATION

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Providing management services to Social Housing Companies
DIRECTORS	F Segole (Non-Executive Director) L Netshifhefhe (Non-Executive Director) A Makhado (Non-Executive Director) C Lehoka (Non-Executive Director) K Maithufi (Non-Executive Director) M Ngobeni (Non-Executive Director) T Limako (Non-Executive Director) L Vuthula (Non-Executive Director) Z Nkamana (Non-Executive Director) D Dlamini (Executive Director) A Pillay (Executive Director)
REGISTERED OFFICE	Shop no 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
BUSINESS ADDRESS	Shop no 9 Pharoe Park Cnr Jack & Queen street Germiston 1400
POSTAL ADDRESS	P O Box 1245 Germiston 1400
CONTROLLING ENTITY	Ekurhuleni Metropolitan Municipality incorporated in South Africa
BANKERS	ABSA Bank Limited
AUDITORS	Auditor General South Africa
SECRETARY	Adv K Sebola

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SOC	State Owned Company

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

I am the chief executive officer and in terms of the Municipal Finance Management Act (Act 56 of 2003), the designated accounting officer responsible for the preparation of these annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements set out on pages 5 to 42, which have been prepared on the going concern basis, were approved by the board on 30 November 2015 and were signed on its behalf by:

F Segole (Non-Executive Director) **Chairperson-Board of Directors**	**A Pillay (Executive Director)** **Acting Chief Executive Officer**

30 November 2015

DIRECTOR'S REPORT

The Directors submit their report for the year ended 30 June 2015.

1. INCORPORATION

The entity was incorporated on 26 April 2000 and obtained its certificate to commence business on the same day.

2. GOING CONCERN

We draw attention to note 28 in the Annual Financial Statements, Going Concern. The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer has the resources in place to continue in operation for the foreseeable future. The entity is therefore dependent on achieving sustainable profitability through charging management fees to Pharoe Park Housing Company (SOC) Ltd and Germiston Phase II Housing Company (SOC) Ltd, which are rental companies and are letting properties at a social housing rental rate.

Furthermore, the existence of the entity is dependent on the continued support of its shareholder. During the year the shareholder assisted with grants of R3.5million to Pharoe Pharoe Park Housing Company (SOC) Ltd and Germiston Phase II Housing Company (SOC) Ltd, which was used for operational repairs and maintenance. Additional grants have been approved for 2015/2016 amounting to R3.5million. At 30 June 2015, the entity had an accumulated surplus of R447 841 and that the entity's total assets exceed its liabilities by R447 941.

Management therefore foresees that the entity will continue as a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

It should be noted however, that the Board has passed a resolution on 30 June 2015 to proceed with amalgamating the following related parties into a single company, namely:
- Ekurhuleni Development Company (SOC) Ltd,
- Pharoe Park Housing Company (SOC) Ltd,
- Phase II Housing Company (SOC) Ltd and
- Lethabong Housing Institute (SOC) NPC.

The key operations of these entities will continue to function normally in the single entity, but will prevent a duplication of functions and result in alignment with SHRA funding requirements. The financial effect of the amalgamation can however not be quantified at reporting date.

Due to the material uncertainty of the timing, funding and cost of the amalgamation process, management is of the opinion that this will not affect the entity’s ability to continue as a going concern for financial statement reporting purposes.

3. SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance arising since the end of the financial year which would have an effect on this report.

4. ACCOUNTING POLICIES

The annual financial statements prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP).

5. SHARE CAPITAL / CONTRIBUTED CAPITAL

The entity was incorporated with an authorised share capital or 1,000 ordinary shares of R1 each of which 100 were issued at par value.

There were no changes in the authorised or issued share capital of the entity during the year under review. Ekurhuleni Metropolitan Municipality held 100% of the ordinary share capital of the entity as at year.

Unissued ordinary shares are under the control of Ekurhuleni Metropolitan Municipality.

DIRECTOR'S REPORT

6. NON-CURRENT ASSETS

There were no major changes in the nature of the non-current assets of the entity, nor to its policy regarding its use during the year under review.

7. DISTRIBUTIONS TO OWNERS

No dividends were declared or paid to shareholders during the year.

DIRECTOR'S REPORT

8. DIRECTORS

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Date Appointed
F Segole (Non-Executive Director)	South African	Appointed 01 May 2015, resigned 30 September 2014
L Netshifhefhe (Non-Executive Director)	South African	Appointed 01 May 2015
A Makhado (Non-Executive Director)	South African	Appointed 01 July 2015
C Lehoka (Non-Executive Director)	South African	Appointed 01 May 2015
K Maithufi (Non-Executive Director)	South African	Appointed 01 May 2015
M Ngobeni (Non-Executive Director)	South African	Appointed 01 July 2015
T Limako (Non-Executive Director)	South African	Appointed 01 July 2015
L Vuthula (Non-Executive Director)	South African	Appointed 01 July 2015
Z Nkamana (Non-Executive Director)	South African	Appointed 01 July 2015
D Dlamini (Executive Director)	South African	Appointed 01 October 2014
A Pillay (Executive Director)	South African	Appointed 01 October 2014
C Chuene (Interim board member)	South African	Appointed 01 January 2015, resigned 30 April 2015
Z Fihlani (Interim board member)	South African	Appointed 01 January 2015, resigned 30 April 2015
W Huma (Interim board member)	South African	Appointed 01 January 2015, resigned 30 April 2015
J Lekgetha (Interim board member)	South African	Appointed 01 January 2015, resigned 30 April 2015
M Mankakane (Interim board member)	South African	Appointed 01 January 2015, resigned 30 April 2015
P Mzizi (Interim board member)	South African	Appointed 01 January 2015, resigned 30 April 2015
M Nchabeleng (Interim board member)	South African	Appointed 01 January 2015, resigned 30 April 2015
S Ndobe	South African	Resigned 30 September 2014
T Matsho	South African	Resigned 30 September 2014
P Masilo	South African	Resigned 30 September 2014

9. SECRETARY

The secretary of the entity is Adv K Sebola

Business address

13 Strubyn Court
Pieter Uys Avenue
Alberton

Postal address

13 Strubyn Court
Pieter Uys Avenue
Alberton

10. CORPORATE GOVERNANCE

GENERAL

The entity is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the entity supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to adopt Code of Corporate Practices and Conduct ("the Code") laid out in the King Report III on Corporate Governance for South Africa. The board discuss the responsibilities of management in this respect, at Board meetings and monitor the entity's compliance with the code on a three monthly basis.

The salient features of the entity's adoption of the Code is outlined below:

DIRECTOR'S REPORT

BOARD OF DIRECTORS

The Board:
- ensures that the entity complies with its mandate and responsibilities including, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - 9 non-executive directors, all of whom are independent directors as defined in the Code.

CHAIRPERSON AND CHIEF EXECUTIVE

The Chairperson is a non-executive and independent director.

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

REMUNERATION

The remuneration of the Accounting Officer is determined by the shareholder. The remuneration of key management and directors are disclosed in a note of the annual financial statements. The chairperson of the Remuneration Committee is Mr C Lehoka.

BOARD MEETINGS

The Board have met on 4 separate occasions during the financial year. The Board scheduled to meet at least 4 times per annum.

AUDIT COMMITTEE

In terms of Section 166(6)(b) of the Municipal Finance Management Act, a municipality may establish a single Audit Committee for itself and municipal entities under its control.

The entity does not have its own audit committee. The audit committee of the Ekurhuleni Metropolitan Municipality is responsible for the audit committee function. This is in compliance with the Municipal Finance Management Act, 2003.

INTERNAL AUDIT

The internal audit department of Ekurhuleni Metropolitan Municipality provided the internal audit function to the entity. This is in compliance with the Municipal Finance Management Act, 2003.

11. CONTROLLING ENTITY

The entity's controlling entity is Ekurhuleni Metropolitan Municipality.

12. BANKERS

ABSA Bank Limited.

13. AUDITORS

In accordance with Section 92 of the MFMA No 56 of 2003 the Auditor General South Africa remains the auditor of the entity. Auditor General will continue as the company's external auditors.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Adv K Sebola
Company Secretary

Johannesburg
30 November 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Loans to economic entities	3	12 591 415	10 599 013
Current tax receivable	9	572	-
Receivables from exchange transactions	4	244 896	217 137
Cash and cash equivalents	5	386 028	267 282
		13 222 911	**11 083 432**
Non-Current Assets			
Property, plant and equipment	6	598 545	589 407
Intangible assets	7	4 960	9 920
Deferred tax	8	83 780	42 632
		687 285	**641 959**
Total Assets		**13 910 196**	**11 725 391**
Liabilities			
Current Liabilities			
Loans from economic entities	3	11 778 125	10 215 632
Current tax payable	9	-	2 263
Finance lease obligation	12	38 913	32 507
Trade and other payables from exchange transactions	10	538 885	462 627
VAT payable		321 477	164 028
Provisions	11	738 273	468 736
		13 415 673	**11 345 793**
Non-Current Liabilities			
Finance lease obligation	12	46 581	85 493
Total Liabilities		**13 462 254**	**11 431 286**
Net Assets		**447 942**	**294 105**
Net Assets			
Share capital / contributed capital	13	100	100
Accumulated surplus		447 842	294 005
Total Net Assets		**447 942**	**294 105**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2015	2014
Revenue			
Rendering of services		14 375 067	12 354 445
Recoveries		19 074	-
Other income	15	92 599	11 667
Interest received		3 100	2 328
Total revenue		**14 489 840**	**12 368 440**
Expenditure			
Employee related costs	17	(9 150 805)	(7 368 673)
Remuneration of non-executive directors	18	(712 000)	(640 000)
Depreciation and amortisation		(116 207)	(100 262)
Finance costs	19	(18 688)	(874)
Debt Impairment		(8 539)	-
Repairs and maintenance		(53 473)	(107 557)
General Expenses	20	(4 221 115)	(4 068 175)
Total expenditure		**(14 280 827)**	**(12 285 541)**
Operating surplus		**209 013**	**82 899**
Loss on disposal of assets and liabilities		(9 335)	(8 700)
Surplus before taxation		**199 678**	**74 199**
Taxation	21	45 842	50 207
Surplus for the year		**153 836**	**23 992**

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		14 339 260	12 323 955
Interest income		3 100	2 328
Other cash item		111 673	11 667
		14 454 033	12 337 950
Payments			
Employee costs		(9 593 268)	(7 830 351)
Finance costs		(18 688)	(874)
Other payments		(4 041 358)	(4 118 959)
Taxes on surpluses	9	(89 347)	(105 495)
		(13 742 661)	(12 055 679)
Net cash flows from operating activities	22	**711 372**	**282 271**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(129 720)	(113 083)
Loans to economic entities (decrease) / Increase		(429 909)	79 980
Net cash flows from investing activities		**(559 629)**	**(33 103)**
Cash flows from financing activities			
Finance lease obligation (decrease) / increase		(32 997)	-
Net increase/(decrease) in cash and cash equivalents		**118 746**	**249 168**
Cash and cash equivalents at the beginning of the year		267 282	18 114
Cash and cash equivalents at the end of the year	5	**386 028**	**267 282**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Balance at 01 July 2013	**100**	**270 013**	**270 113**
Changes in net assets			
Surplus for the period	-	155 428	155 428
Prior year error	-	(131 436)	(131 436)
Total changes	-	23 992	23 992
Balance as previously reported 01 July 2014	**100**	**294 005**	**294 105**
Changes in net assets			
Surplus for the period	-	153 837	153 837
Total changes	-	153 837	153 837
Balance at 30 June 2015	**100**	**447 842**	**447 942**
Note(s)	13		

Statement Of Comparison Between Budget And Actual

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Investment revenue	3 000	-	3 000	-		3 000	3 100		100	103 %	103 %
Other own revenue	15 021 000	-	15 021 000	-		15 021 000	14 486 740		(534 260)	96 %	96 %
Total revenue (excluding capital transfers and contributions)	**15 024 000**	**-**	**15 024 000**	**-**		**15 024 000**	**14 489 840**		**(534 160)**	**96 %**	**96 %**
Employee costs	(10 085 000)	-	(10 085 000)	-	-	(10 085 000)	(9 150 805)	-	934 195	91 %	91 %
Remuneration of councillors	(884 000)	-	(884 000)	-	-	(884 000)	(712 000)	-	172 000	81 %	81 %
Debt impairment	-	-	-			-	(8 539)	-	(8 539)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(267 000)	-	(267 000)			(267 000)	(116 206)	-	150 794	44 %	44 %
Finance charges	(5 000)	-	(5 000)	-	-	(5 000)	(18 688)	-	(13 688)	374 %	374 %
Other expenditure	(3 478 000)	-	(3 478 000)	-	-	(3 478 000)	(4 283 923)	-	(805 923)	123 %	123 %
Total expenditure	**(14 719 000)**	**-**	**(14 719 000)**	**-**	**-**	**(14 719 000)**	**(14 290 161)**	**-**	**428 839**	**97 %**	**97 %**
Surplus/(Deficit)	**305 000**	**-**	**305 000**	**-**		**305 000**	**199 679**		**(105 321)**	**65 %**	**65 %**
Taxation	-	-	-	-		-	45 842		45 842	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**305 000**	**-**	**305 000**	**-**		**305 000**	**153 837**		**(151 163)**	**50 %**	**50 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	10 310 000	-	10 310 000	-		10 310 000	711 372		(9 598 628)	7 %	7 %
Net cash from (used) investing	-	-	-	-		-	(559 629)		(559 629)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(32 997)		(32 997)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**10 310 000**	**-**	**10 310 000**	**-**		**10 310 000**	**118 746**		**(10 191 254)**	**1 %**	**1 %**
Cash and cash equivalents at the beginning of the year	267 000	-	267 000	-		267 000	267 282		282	100 %	100 %
Cash and cash equivalents at year end	**10 577 000**	**-**	**10 577 000**	**-**		**10 577 000**	**386 028**		**10 190 972**	**4 %**	**4 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome

Comments to the Statement of Comparison Of Budget and Actuals (Statement of Financial Performance)

1.Other own Revenue
Actual income lower than budget due to tenants not making regular payments, subletting and eviction process taking longer.

2.Employee cost
Lower than budget due to vacant position in a process of being filled.

3.Depreciation
Lower than budget due to assessment of useful life on Property plant and equipment and intangible assets which was extended for longer period.

4.Other expenditure
The increase is due to increase in lease rentals, domestic travel, training, telephone and audit fees.

Comments to the Statement of Comparison Of Budget and Actuals (Cash Flow Statement).

5.Net Cash From operating
The R10 million grant was not received due to the delay of building project.

6.Net cash used in investing
Difference mainly due to movement in the intercompany loans not budgeted.

Accounting Policies

1. Presentation of Annual Financial Statements

Basis of Preparation

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note "Changes in accounting policy."

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty

In the process of applying the entity’s accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

• Trade receivables and loans and receivables
The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

• Impairment of receivables
The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service-identifiable categories across all debtor classes.

• Impairment of Intangible assets, property, plant and equipment
The calculation in respect of the impairment of Intangible assets, property, plant and equipment is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

• Provisions, contingent liabilities
Management’s judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material, using cost of capital.

• Useful lives of property, plant and equipment held at cost
The useful lives of Intangible assets and property, plant and equipment, are based on management’s estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets is also based on management’s judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

• Budget information
A difference of 5% or more between budget and actual amounts is regarded as material. All material differences are explained in the notes to the annual financial statements.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity and
- the cost or the fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

The entity maintains and acquires assets to provide a social service to the community. The useful lives and economic lives of these assets are equal and consequently no residual values are determined.

The entity depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets.

The depreciation rates are based on the following estimated useful lives:

Item	Average useful life
• Furniture and fittings	10 years
• Motor vehicles	5 – 11 years
• Office equipment	5 years
• IT equipment	5 – 9 years

The asset management policy contains the details of the components and their specific useful life estimates.

The residual value, the useful life and the depreciation method of PPE are reviewed at least at every reporting date.

At each reporting date all items of PPE are reviewed for any indication that it may be impaired. An impairment exists when an assets carrying amount is greater than its recoverable amount. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If there is an indication of impairment, the assets' recoverable amount is calculated. An impairment loss is recognised in the Statement of Financial Performance and the depreciation charge relating to the asset is adjusted for future periods.

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Accounting Policies

1.4 Intangible assets

An asset is identified as an intangible asset when it is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are subsequently measured at cost less any accumulated amortisation and any impairment losses.

Intangible assets' amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 - 11 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Accounting Policies

1.5 Financial instruments

a) Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
(i) the entity designates at fair value at initial recognition or
(ii) are held for trading.

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans to economic entities	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans from economic entities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition
The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities
The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities
The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses
A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets
The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

a) Financial assets measured at amortised cost:
If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.5 Financial instruments (continued)

Derecognition

a) Financial assets

The entity derecognises financial assets (or part of a financial asset) when the contractual rights to the cash flows from the financial asset expire, are settled or waived or when the entity has transferred all of the significant risks and rewards of ownership using trade date accounting.

On derecognition of a financial asset (or part of a financial asset), the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

b) Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished (when the obligation specified in the contract is discharged, cancelled, expires or waived).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.6 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.7 Provisions and contingencies

A provision is recognised when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The entity does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

a) Leave provision
Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end.

b) Performance bonus provision
The provision is to provide for, where applicable.

1.8 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.9 Revenue from exchange transactions

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

When the inflow of cash or cash equivalents is deferred and the fair value of the consideration is less than the nominal amount of cash received or receivable, the arrangement effectively constitutes a financing transaction. The fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:
• The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
• A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

Interest revenue is recognised on a time proportion basis.

Accounting Policies

1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity. When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers, including Grants and Receipts
The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind
Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind
Services in-kind are not recognised.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.12 Comparative figures

When the presentation or classification of items in the annual financial statements is amended due to better presentation and/or better understandibility and/or comparability and/or due to the implementation of a new or amended standard, prior period comparative amounts are reclassified. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, entity or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Budget information

The approved budget is prepared in accordance with GRAP standards on an accrual basis, and are consistent with accounting policies as adopted by the Council for the preparation of this financial statements, and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30. These figures are those approved by Council both at the beginning and during the year, following a period of consultation with the public as part of the Integrated Development Plan (IDP). The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements.

1.17 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed, except for transactions with controlled entities, which are disclosed in full.

1.18 Events after reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Reporting date means the date of the last day of the reporting period to which the financial statements relate. The entity adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date. The entity does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

1.19 Commitments

The entity discloses each class of capital assets (PPE, Investment properties, Intangible assets and Heritage assets) recognized in the financial statements as well as future minimum lease payments under non-cancellable operating leases for each of the following periods:
- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years.

1.20 Going concern

These annual financial statements have been prepared on a going concern basis.

1.21 Taxes

Current tax assets and liabilities
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities
A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).
A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses
Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

Figures in Rand	2015	2014

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 July 2015	Not material
• GRAP 105: Transfers of functions between entities under common control	01 July 2015	Not material
• GRAP 106: Transfers of functions between entities not under common control	01 July 2015	Not material
• GRAP 107: Mergers	01 July 2015	Not material
• GRAP 20: Related parties	01 July 2016	Not material
• IGRAP 11: Consolidation – Special purpose entities	01 July 2015	Not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 July 2015	Not material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 July 2015	Not material
• GRAP 7 (as revised 2010): Investments in Associates	01 July 2015	Not material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 July 2015	Not material
• GRAP32: Service Concession Arrangements: Grantor	01 July 2015	Not material
• GRAP108: Statutory Receivables	01 July 2015	Not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 July 2015	Not material
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 July 2015	Not material

3. LOANS TO (FROM) ECONOMIC ENTITIES

RELATED PARTIES

Pharoe Park Housing Company SOC Limited	7 984 294	6 319 612
Lethabong Housing Institution SOC NPC	4 607 121	4 279 401
	12 591 415	**10 599 013**

All the receivable balances are recoverable in full from the related parties and no impairment provision has been raised on the outstanding balances as at 2015 (2014 - R0).

Germiston Phase II Housing Company SOC Limited	(11 778 125)	(10 215 632)
	-	-
	(11 778 125)	**(10 215 632)**

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Other debtors	141 502	136 398
Insurance debtor	15 141	15 141
Prepaid expenses	88 253	65 598
	244 896	**217 137**

TRADE AND OTHER RECEIVABLES PAST DUE BUT NOT IMPAIRED

Trade and other receivables which are more than 3 months past due are not considered to be impaired. At 30 June 2015, R 244 896 (2014: R 217 137) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	244 896	217 137

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	1 102	63
Bank balances	384 926	267 219
	386 028	**267 282**

Cash and cash equivalents earn interest at floating rates based on the daily bank deposit rates. The carrying value of cash and short term deposits approximates its fair value.

The entity banks with the Amalgamated Bank of South Africa Limited.

THE ENTITY HAD THE FOLLOWING BANK ACCOUNTS

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA - Current Account - 405 591 949 2	384 926	267 282	17 043	384 926	267 282	17 043

Notes to the Annual Financial Statements

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	406 982	(168 530)	238 452	328 502	(137 960)	190 542
Motor vehicles	250 790	(141 687)	109 103	250 790	(126 533)	124 257
Office equipment	138 605	(30 711)	107 894	135 255	(3 955)	131 300
IT equipment	308 528	(165 432)	143 096	271 721	(128 413)	143 308
Total	**1 104 905**	**(506 360)**	**598 545**	**986 268**	**(396 861)**	**589 407**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2015

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	190 542	78 464	-	(30 554)	238 452
Motor vehicles	124 257	-	-	(15 154)	109 103
Office equipment	131 300	3 350	-	(26 756)	107 894
IT equipment	143 308	47 906	(9 335)	(38 783)	143 096
	589 407	**129 720**	**(9 335)**	**(111 247)**	**598 545**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2014

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	218 042	5 650	-	(33 150)	190 542
Motor vehicles	140 599	-	-	(16 342)	124 257
Office equipment	1 674	133 205	-	(3 579)	131 300
IT equipment	102 249	92 228	(8 700)	(42 469)	143 308
	462 564	**231 083**	**(8 700)**	**(95 540)**	**589 407**

ASSETS SUBJECT TO FINANCE LEASE (NET CARRYING AMOUNT)

Office equipment	93 658	115 737

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. PROPERTY, PLANT AND EQUIPMENT (continued)

There were no impairments of property, plant and equipment during the financial year under review (2014 - R0).

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Notes to the Annual Financial Statements

Figures in Rand

7. INTANGIBLE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	133 284	(128 324)	4 960	133 284	(123 364)	9 920

RECONCILIATION OF INTANGIBLE ASSETS - 2015

	Opening balance	Amortisation	Closing balance
Computer software, other	9 920	(4 960)	4 960

RECONCILIATION OF INTANGIBLE ASSETS - 2014

	Opening balance	Amortisation	Closing balance
Computer software, other	14 642	(4 722)	9 920

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. DEFERRED TAX

DEFERRED TAX LIABILITY

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

RECONCILIATION OF DEFERRED TAX ASSET \ (LIABILITY)

At beginning of year	42 632	34 230
Property plant and equipment, Intangibles & other	41 148	8 402
Balance at end of the year	**83 780**	**42 632**

9. CURRENT YEAR TAX PAYABLE

Balance at beginning of the year	(2 263)	(49 149)
Current tax for the year recognised in surplus or deficit	(86 989)	(30 072)
Interest accrued-SARS	478	-
Tax paid	89 346	76 958
Balance at end of the year	**572**	**(2 263)**

Tax Rate Reconciliation	2015	%	2014	%
Profit before tax	199 679	-	74 199	-
Tax on profit before tax at standard rate	55 910	28	20 776	28
Adjust for:	-	-	-	-
Permanent timing differences	1 648	1	-	-
Temporary timing difference	(11 716)	(6)	29 431	40
Taxation per Income Statement	**45 842**	**23**	**50 207**	**68**

10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	113 026	148 647
Payroll creditors	387 127	223 577
Other Creditors	38 732	90 403
	538 885	**462 627**

Trade payables are non-interest bearing and are normally settled on 30 days terms. All other payables are non-interest bearing and have an average term of three months.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. PROVISIONS

RECONCILIATION OF PROVISIONS - 2015

	Opening Balance	Additions	Transfer to Accruals	Closing balance
Leave Pay Provision	362 376	94 976	-	457 352
Performance Bonus Provision	106 360	280 921	(106 360)	280 921
	468 736	**375 897**	**(106 360)**	**738 273**

RECONCILIATION OF PROVISIONS - 2014

	Opening Balance	Additions	Utilised during the year	Closing balance
Leave Provision	290 414	362 376	(290 414)	362 376
Performance Bonus Provision	-	106 360	-	106 360
	290 414	**468 736**	**(290 414)**	**468 736**

A provision for leave is recognised for leave due to employees at year end. The provision for leave is calculated by multiplying the number of leave days due to each employee by a daily rate based on the total cost to company. The provision is expected to realise within the following financial year when employees request leave to be paid out or is used.

Performance bonus provision is recognised based on management incentives, past practice, current market related benchmarks, as well as entity specific goals. The provision is expected to realise within the following financial year upon finalisation of the performance review of managerial staff.

12. FINANCE LEASE OBLIGATION

	2015	2014
MINIMUM LEASE PAYMENTS DUE		
- within one year	57 588	57 588
- in second to third year inclusive	57 588	110 377
Present value of minimum lease payments	**115 176**	**167 965**

	2015	2014
PRESENT VALUE OF MINIMUM LEASE PAYMENTS DUE		
- within one year	38 913	37 058
- in second to third year inclusive	46 581	44 360
	85 494	**81 418**

	2015	2014
Non-current liabilities	46 581	85 493
Current liabilities	38 913	32 507
	85 494	**118 000**

It is the entity's policy to lease certain equipment under finance leases.

The average lease term was 1-3 years and the average effective borrowing rate was 18% (2014: 18%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments .

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

13. SHARE CAPITAL / CONTRIBUTED CAPITAL

	2015	2014
AUTHORISED		
1000 Ordinary shares of R1 each	1 000	1 000

	2015	2014
ISSUED		
Ordinary	100	100

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

14. REVENUE

Rendering of services	14 375 067	12 354 445
Recoveries	19 074	-
Other income	92 599	11 667
Interest received	3 100	2 328
	14 489 840	**12 368 440**

THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

Rendering of services	14 375 067	12 354 445
Recoveries	19 074	-
Other income	92 599	11 667
Interest received	3 100	2 328
	14 489 840	**12 368 440**

15. OTHER INCOME

Tender administration fees	84 849	11 667
Donations received from AMMM Attorneys	7 000	-
Sundry	750	-
	92 599	**11 667**

16. INVESTMENT REVENUE

INTEREST REVENUE

Interest earned on investments	3 100	2 328

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

17. EMPLOYEE RELATED COSTS

Basic	7 606 004	6 214 144
Performance bonus	280 921	185 627
Medical aid - company contributions	352 720	278 981
UIF	45 049	38 716
SDL	85 247	71 828
Leave pay provision charge	371 153	329 057
Post-employment benefits	409 361	250 320
Other wages	350	-
	9 150 805	**7 368 673**

REMUNERATION OF CHIEF EXECUTIVE OFFICER

Acting Allowance	88 101	1 100 728
Car Allowance	-	30 000
Contributions to UIF, Medical and Pension Funds	442	1 636
Other	-	96 388
	88 543	**1 228 752**

The Chief Executive Officer is acting and his salary is paid by Ekurhuleni Metropolitan Municipality, Acting Allowance by Ekurhuleni Development Company.

Remuneration of chief finance officer

Annual Remuneration	668 054	-
Car Allowance	90 000	-
Contributions to UIF, Medical and Pension Funds	67 549	-
Other	9 200	-
	834 803	**-**

REMUNERATION OF NON EXECUTIVE DIRECTORS

L Vutula	56 000	64 000
S Ndobe	80 000	120 000
T Matsho	96 000	184 000
F Segole	104 000	136 000
C Chuene	40 000	-
Z Filhlani	16 000	-
P Masilo	72 000	136 000
W Huma	40 000	-
C Lehoko	24 000	-
J Lekgetha	40 000	-
K Maithufi	24 000	-
M Mankakane	40 000	-
P Mzizi	32 000	-
M Nchabeleng	24 000	-
L Netshifhefhe	24 000	-
	712 000	**640 000**

18. REMUNERATION OF NON EXECUTIVE DIRECTORS

Board fees	712 000	640 000

19. FINANCE COSTS

Finance leases	18 009	-
Bank	344	491
Other interest paid	335	383
	18 688	**874**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

20. GENERAL EXPENSES

Advertising	211 597	91 602
Auditors remuneration	503 696	387 422
Bank charges	27 817	36 853
Cleaning	995	-
Computer expenses	110 573	192 875
Conferences and seminars	72 004	53 177
Consulting and professional fees	1 252 879	1 370 765
Electricity	49 954	46 812
Fleet	62 542	16 385
Fuel and oil	80 685	89 624
Insurance	8 970	5 116
Lease rentals on operating leases	427 218	365 332
Magazines, books and periodicals	65 872	40 515
Penalties - SARS	5 408	3 657
Pest control	13 266	12 986
Secretarial fees	-	129 098
Security (Guarding of municipal property)	17 329	11 402
Software expenses	98 039	79 442
Staff welfare	116 009	329 752
Stationery & printing	228 288	225 368
Telephone and fax	256 463	218 798
Tenant development	2 136	-
Training	304 869	130 341
Travel - local	304 506	230 853
	4 221 115	**4 068 175**

21. TAXATION

MAJOR COMPONENTS OF THE TAX EXPENSE

CURRENT		
Local income tax - current period	45 842	50 207
	45 842	**50 207**

22. CASH GENERATED FROM OPERATIONS

Surplus	153 837	23 992
ADJUSTMENTS FOR:		
Depreciation	116 207	100 262
Gain on sale of assets	9 335	8 700
Debt impairment	8 539	-
Movements in provisions	269 537	178 322
Movement in tax receivable and payable	(2 835)	(46 885)
Annual charge for deferred tax	(41 148)	(8 402)
Other non-cash items	(1)	-
CHANGES IN WORKING CAPITAL:		
Receivables from exchange transactions	(35 807)	(30 490)
Trade and other payables from exchange transactions	76 259	9 745
VAT	157 449	47 027
	711 372	**282 271**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. RELATED PARTIES

Relationships	
Accounting Officers	Refer to accounting officers' report note
Controlling entity	Ekurhuleni Metropolitan Municipality
Other entities of the group	Pharoe Park Housing Company (SOC) Limited
	Germiston Phase II Housing Company (SOC) Limited
	Lethabong Housing Institute (SOC) NPC
	Brakpan Bus Company (SOC) Limited
	East Rand Water Care Company NPC
Members of key management	M Pillay (Acting Chief Executive Officer)
	Dumisani Dlamini (CFO)

During the year the entity entered in to various related party transactions with its controlling entity and other entities in the EMM group. All transactions are concluded at arm's length.

RELATED PARTY BALANCES

	2015	2014
LOAN ACCOUNTS - OWING (TO) BY RELATED PARTIES		
Pharoe Park Housing Company (SOC) Limited	7 984 294	6 319 612
Germiston Phase II Housing Company (SOC) Limited	(11 778 125)	(10 215 632)
Lethabong Housing Institute (SOC) NPC	4 607 121	4 279 401

RELATED PARTY TRANSACTIONS

	2015	2014
PURCHASES FROM (SALES TO) RELATED PARTIES		
Ekurhuleni Metropolitan Municipality	49 954	46 812
RENT PAID TO (RECEIVED FROM) RELATED PARTIES		
Pharoe Park Housing Company (SOC) Limited	386 481	313 946
ADMINISTRATION FEES PAID TO (RECEIVED FROM) RELATED PARTIES		
Pharoe Park Housing Company (SOC) Limited	(6 505 548)	(6 118 915)
Germiston Phase II Housing Company (SOC) Limited	(7 869 519)	(6 235 530)
DEVIATIONS AWARDED TO PERSONS IN THE EMPLOY OF THE STATE		
Edulink Consulting	-	155 500

24. CONTINGENCIES

CONTINGENT LIABILITIES

2015

- M Ramanna and Associates CC instituted legal action in respect of a claim for compensation for work done as part of the SHRA regularisation plan for the amount of R2 334 520.There is a court case set in November and both parties have started the process of settling the matter out of court.

25. PRIOR YEAR ERRORS RESTATEMENT

2015
Corrections were made with regards to an under accrual of directors fees amounting to R16,000.VAT amounting to R16,520 was claimed in error on the finance lease asset and was reversed to reflect the liability excluding VAT,as well as the restatement of the related deferred tax. The bonus provision of R106,360 relating to 2014 was raised in compliance with GRAP 19. An under accrual of PAYE relating to 2014 was corrected amounting to R3,640.

The correction of the error(s) results in adjustments as follows:

25. PRIOR YEAR ERRORS RESTATEMENT (continued)

Statement of Financial position	Balance as Previously reported	Restated balance	Adjustment
	-	-	-
Current Assets	-	-	-
Deferred tax	45 253	42 632	(2 621)
Current Liabilities	-	-	-
Finance lease obligation	(37 617)	(32 507)	5 110
Trade and other payable from exchange transaction	(440 172)	(462 627)	(22 457)
Vat payable	(147 508)	(164 028)	(16 520)
Provisions	(362 376)	(468 736)	(106 360)
Non-current liabilities-Finance lease obligation	(96 903)	(86 493)	11 410
Total changes in net assets	-	-	131 436
Statement of Financial performance	-	-	-
Expenditure	-	-	-
Employee related costs	7 262 313	7 368 673	106 360
Remuneration of non-executive directors	624 000	640 000	16 000
General Expense	4 061 720	4 068 175	6 457
Taxation 2014	47 586	50 207	2 621
Total change in Accumulated surplus	-	-	131 436
	-	-	-

26. CHANGE IN ESTIMATE

PROPERTY, PLANT AND EQUIPMENT

2015
Management deemed it necessary to reassess the useful lives of all property plant and equipment.

FINANCIAL STATEMENT EFFECT		
Decrease in Accumulated depreciation	36 321	-
Increase in Accumulated surplus	(36 321)	-
	-	-

Depreciable assets original remaining useful life of an average 3-10 years has been changed to 5-13 years at the end of the current period to reflect the actual pattern of services potential derived from the assets. The effect of this assessment has decreased the depreciation charges by R 36 321.

2014-Financial statement effect

Decrease in Accumulated depreciation	R 51 062
Increase in Accumulated surplus	R 51 062

27. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

The entity's risk to liquidity is determined by the level of funds available to cover future commitments. The entity manages liquidity risk through an ongoing -review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	13 393 310	-	-	-
Finance lease obligation	38 913	46 581	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	11 310 380	-	-	-
Finance lease obligation	37 058	44 360	53 102	-

INTEREST RATE RISK

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise mainly receivables from related parties for management fees rendered. Management evaluated credit risk relating to customers on an ongoing basis. Risk ratings are done taking into account debtors financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

28. GOING CONCERN

The entity's revenue is based on its management services provided to the social housing companies Pharoe Park Housing Company (SOC) Ltd and Germiston Phase II Housing (SOC) Ltd.

At 30 June 2015, the entity had an accumulated surplus of R 447 841 and that the entity's total assets exceed its liabilities by R447 941.

The ability of the company to continue as a going concern is however dependent on the shareholder's continued support, which is also extended to Pharoe Park Housing Company (SOC) Ltd and Germiston Phase II Housing (SOC) Ltd. During the year the shareholder assisted with grants of R3.5million to Pharoe Pharoe Park Housing Company (SOC) Ltd and Germiston Phase II Housing Company (SOC) Ltd, which was used for operational repairs and maintenance. Additional grants have been approved for 2015/2016 amounting to R3.5million.

As the collection of rental income of the companies are improving, the transfer of rental stock from Ekurhuleni Metropolitan Municipality realizes and the turnaround strategy for the companies implemented, management foresees that the entity will continue as a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement, contingent obligations and commitments will occur in the ordinary course of business.

It should be noted also, that the Board has passed a resolution on 30 June 2015 to proceed with amalgamating the following related parties into a single company, namely: Ekurhuleni Development Company (SOC) Ltd, Pharoe Park Housing Company (SOC) Ltd, Phase II Housing Company (SOC) Ltd and Lethabong Housing Institute (SOC) NPC.

The key operations of these entities will continue to function normally in the single entity, preventing a duplication of functions and result in alignment to SHRA funding requirements. The financial effect of the amalgamation can however not be quantified at reporting date.

Due to the material uncertainty of the timing, funding and cost of the amalgamation process, management is of the opinion that this will not affect the entity's ability to continue as a going concern for financial statement reporting purposes.

Figures in Rand	2015	2014

29. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	533	74 424
Less: amount condoned	-	(74 424)
SARS Interest - Income tax	5 408	150
Interest Telkom	335	383
	6 276	**533**

The SARS penalties and interest have been incurred between July 2014 and June 2015.

The above amounts are unlikely to be recovered and will be presented to the council and National Treasury for condonation after year end.

The accounting officer has started investigating the above items and depending the outcome of the investigations the accounting officer will institute the necessary disciplinary actions.

30. IRREGULAR EXPENDITURE

Opening balance	2 391 969	1 954 948
Add: Irregular Expenditure - current year	27 914	437 021
	2 419 883	**2 391 969**

31. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

AUDIT FEES

Opening balance	56 971	-
Current year fee	467 236	387 422
Amount paid - current year	(524 207)	(330 451)
	-	**56 971**

PAYE AND UIF

Opening balance	3 109	6 825
Current year subscription / fee	1 952 536	1 719 199
Amount paid - current year	(1 951 654)	(1 719 199)
Amount paid - previous years	-	(3 716)
	3 991	**3 109**

PENSION AND MEDICAL AID DEDUCTIONS

Opening balance	70 121	43 099
Current year subscription / fee	1 529 438	542 042
Amount paid - current year	(1 515 671)	(460 785)
Amount paid - previous years	-	(54 235)
	83 888	**70 121**

Notes to the Annual Financial Statements

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31. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

SUPPLY CHAIN MANAGEMENT REGULATIONS

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

INCIDENT		
Warning lights installation (Biometrix system - sole supplier)	-	2 850

32. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the board and includes a note to the annual financial statements.

33. FINANCIAL INSTRUMENTS DISCLOSURE

CATEGORIES OF FINANCIAL INSTRUMENTS

2015

FINANCIAL ASSETS

	At amortised cost
Loans to economic entities	12 591 415
Current tax receivable	572
Trade and other receivables from exchange transactions	244 896
Cash and cash equivalents	386 028
	13 222 911

FINANCIAL LIABILITIES

	At amortised cost
Loans from economic entities	11 778 125
Finance lease liabilities-Short term	38 913
Trade and other payables from exchange transactions	538 886
Taxes and transfers payable	321 477
Provisions	738 273
Finance lease liabilities-Long term	46 581
	13 462 255

2014

FINANCIAL ASSETS

	At amortised cost
Loans to economic entities	10 599 013
Trade and other receivables from exchange transactions	217 137
Cash and cash equivalents	267 282
	11 083 432

FINANCIAL LIABILITIES

	At amortised cost
Loans from economic entities	10 215 632
Trade and other payables from exchange transactions	462 627
Taxes and transfers payable (non-exchange)	166 291

. FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Provisions	468 736
Finance lease Liabilities-Short Term	32 507
Finance lease Liabilities-Long Term	85 493
	11 431 286

FINANCIAL INSTRUMENTS IN STATEMENT OF FINANCIAL PERFORMANCE

2015

	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	3 100
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(18 688)
	(15 588)

2014

	At amortised cost
Interest income (calculated using effective interest method) for financial instruments at amortised cost	2 328
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(874)
	1 454

34. BUDGET DIFFERENCES

CHANGES FROM THE APPROVED BUDGET TO THE FINAL BUDGET

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 13 to 15 in the annual report.